

CMP: ₹ 2,430 Target: ₹ 2,480 (2%) Target Period: 12 months

HOLD

May 15, 2022

Healthy Q4FY22, await better monthly volume prints...

About the stock: Eicher Motors (EML) is the market leader in the >250 cc premium motorcycle segment (market share ~90%+) through its aspirational models under the Royal Enfield (RE) brand, such as Bullet, Classic, Interceptor among others

- Via its JV with Volvo i.e., VECV (EML has 54.4% stake), the company has a presence in the CV space as well (6.6% FY22 market share)
- Strong net cash positive b/s with healthy return ratios metrics

Q4FY22 Results: EML posted a healthy operational performance in Q4FY22.

- Consolidated revenues were at ₹ 3,193 crore, up 10.9% QoQ
- Reported EBITDA margins came in at 23.7%, up 350 bps QoQ
- Consequent consolidated PAT was at ₹ 610 crore, up 33.8% QoQ

What should investors do? EML's stock price has de-grown at ~4.3% CAGR from ~₹ 2,910 levels in May 2017, underperforming the broader Nifty Auto index.

- We retain our **HOLD** on EML and await better monthly volume prints of RE

Target Price and Valuation: We value EML at ₹ 2,480 on SOTP basis; assigning 23x PE to RE business & 20x PE to VECV business on FY24E numbers

Key triggers for future price performance:

- We expect 15% RE volume CAGR in FY22-24E aided by low base, easing of supply constraints, new products introduction, network expansion benefits and healthy international market response
- Continued VECV outperformance in CVs to continue market share gains; we build ~20% FY22-24E volume CAGR amid cyclical upswing in CV space
- Overall FY22-24E consolidated net sales CAGR expected at 18.3%, with margins seen rising to 24.7% by FY24E riding on operating leverage gains
- Healthy return ratios profile with RoCE seen at ~19% levels by FY24E

Alternate Stock Idea: In our auto OEM coverage, we like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with target price of ₹ 1,045



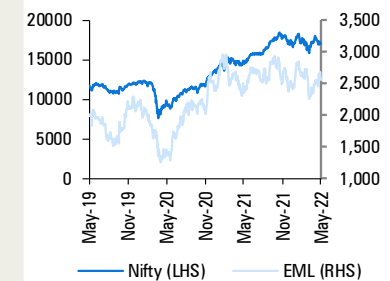
Particulars

Particular	₹ crore
Market Capitalization	66,412
Total Debt (FY22P)	59
Cash & Investments (FY22P)	8,485
EV (₹ crore)	57,986
52 week H/L (₹)	2994 / 2160
Equity capital	₹ 27.3 Crore
Face value	₹ 1

Shareholding pattern

	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	49.2	49.2	49.2	49.2
FII	28.8	30.3	29.5	29.2
DII	9.5	8.7	9.8	10.1
Other	12.5	11.9	11.5	11.5

Price Chart



Recent event & key risks

- Reported healthy Q4FY22 results
- Key Risk:** (i) Electrification in premium motorcycle segment may hamper growth at RE, (ii) More than anticipated volume growth & o/p leverage benefits

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Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22P	5 year CAGR (FY17-22P)	FY23E	FY24E	2 year CAGR (FY22P-24E)
Net Sales	9,797.1	9,153.6	8,720.4	10,297.8	7.9%	12,717.6	14,412.2	18.3%
EBITDA	2,903.1	2,180.3	1,781.3	2,172.2	0.0%	2,982.2	3,560.2	28.0%
EBITDA Margins (%)	29.6	23.8	20.4	21.1		23.4	24.7	
Net Profit	2,202.8	1,827.5	1,346.9	1,676.6	0.1%	2,394.8	2,931.7	32.2%
EPS (₹)	80.8	67.0	49.3	61.3		87.6	107.2	
P/E	30.1	36.2	49.3	39.6		27.7	22.7	
RoNW (%)	24.8	18.3	11.8	13.3		16.9	18.2	
RoCE(%)	27.8	17.3	11.3	13.3		17.3	18.7	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results:

- Consolidated revenues for Q4FY22 were at ₹ 3,193 crore up 10.9% QoQ. ASPs at Royal Enfield (RE), were up 2.9% QoQ to ~₹ 1.7 lakh/unit. RE sales volumes were at ~1.86 lakh units, up 9.5% QoQ
- EBITDA for the quarter was at ₹ 757 crore with margins at 23.7%, up 350 bps QoQ. The company reported ~350 bps gross margin expansion vs. our estimates of ~80 bps contraction
- Consolidated PAT was at ₹ 610 crore, up 33.8% QoQ. The company's share of profit from VECV JV was at ₹ 53.8 crore vs. our estimate of ₹ 49.4 crore

Q4FY22 Earnings Conference Call highlights

- EML witnessed healthy growth in international markets with ~108% YoY growth in terms of volumes for FY22. VECV volumes grew 38% YoY in FY22
- Market share in Q4FY22 was at >7%; for full year basis was 5.8% in FY22. The company gained 2.8% market share to 28.7% in >125 cc segment and is still dominating market in >250 cc segment with ~90%+ market share. During Q4FY22 market share in >125 cc segment was 32%, up 400 bps YoY
- RE Classic 350 based on new J platform gained good traction in international market with Himalayan and scram created new category of budgeted adventure tourer. Semiconductor shortage impacted sales of newly launched Scram 411
- The company's total dealership pan-India as of FY22 end was at 2,118 with full-fledged dealership count at 1,063 and 1055 as studio stores
- Non motorcycle revenue formed ~15% of topline
- Rise in other expense was largely on account of increase in freight cost, which increased ~6x of normal cost as well as brand building expenses
- VECV crossed its peak revenue registering growth of 47% YoY. Margins at ~5.6% tracking commodity inflation
- Market share in bus segment witnessed growth from 19.9% in FY21 to 21.6% in FY22 whereas heavy duty trucks witnessed a contraction with market share at 7.3% in FY22 vs. 7.9% in FY21
- VECV remains committed towards greener technology with market share in CNG segment at ~34%. The company has launched >66 products in FY22 across powertrain including CNG
- EML expects raw material cost inflation to continue during Q1FY23, particularly in base metals
- On the exports front, for RE, Europe (market share at ~7% in mid-weight category), North America (~5% market share) & APEAC (>7% market share) would be prime focus, going forward, as the company is witnessing good demand from these regions

Peer comparison

Exhibit 1: ICICI Direct coverage universe (2-W)

Company	CMP	TP	Rating	Mcap	2-W Lakh volumes			EBITDA margin (%)			RoCE (%)			P/E		
	₹	₹		₹ crore	FY22	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Bajaj Auto (BAAUTO)	3,641	3,950	Hold	1,05,357	38.4	42.0	45.1	15.9	15.5	16.0	18.4	19.9	21.6	21.0	19.9	17.8
Hero Moto (HERHON)	2,449	2,495	Hold	48,901	49.4	54.4	57.7	11.5	12.5	13.0	16.3	20.7	22.2	19.8	15.7	13.9
Eicher Motors (EICMOT)	2,430	2,480	Hold	66,412	6.0	7.2	7.9	21.1	23.4	24.7	13.3	17.3	18.7	39.6	27.7	22.7

Source: Company, ICICI Direct Research; Note – Bajaj Auto volumes above are for its 2-W business

We ascribe HOLD rating to all incumbent 2-W auto OEMs in our coverage and await firm volume growth (monthly numbers) as well as more meaningful action from them on EV front before turning decisively positive.

Exhibit 2: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Total Operating Income	3193	3157	2940	8.6	2881	10.9	Topline came in ahead of estimates tracking beat on APS's on the Royal Enfield front
Raw Material Expenses	1692	1841	1654	2.3	1637	3.3	RM costs came in much lower with EML able to successfully pass on the cost inflation. RM to sales for Q4FY22 stood at 56.3%, down 340 bps QoQ
Purchase of traded goods	105	69	85	23.1	83	27.2	
Employee Expenses	222	205	225	-1.4	202	10.1	Employee expected came in a tad higher
Other expenses	417	374	341	22.1	377	10.7	Other expenses for the quarter stood at 13.1% of sales, flat on QoQ basis
EBITDA	757	668	634	19.3	582	30.0	
EBITDA Margin (%)	23.7	21.2	21.6	213 bps	20.2	349 bps	EBITDA margin came in ahead of estimates tracking beat on the gross margins front
Other Income	118	110	114	3.6	92	28.1	
Depreciation	119	109	125	-4.3	111	7.2	Depreciation was broadly on expected lines
Interest	3	6	4	-20.6	6	-48.4	
Total Tax	196	167	162	20.7	137	43.4	
PAT	610	546	526	16.0	456	33.8	PAT for the quarter came in robust at ₹ 610 crore, up 34% QoQ and 16% YoY

Key Metrics

Royal Enfield ASP(₹)	1,69,551	1,68,026	1,42,559	18.9	1,64,731	2.9	ASP's at RE for Q4FY22 stood at ₹ 1.7 lakh/unit, up 2.9% QoQ vs. our expectation of 2% QoQ increase
VECV ASP (₹ lakhs)	21.4	22.6	19.8	8.1	22.6	-5.2	VECV ASP's stood at 21.4 lakh/unit, down 5.2% QoQ

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	12,995	12,718	-2.1	14,529	14,412	-0.8	Broadly maintained topline estimates. We expect sales at the company to grow at a CAGR of 18.3% over FY22-24E
EBITDA	2,819	2,982	5.8	3,302	3,560	7.8	
EBITDA Margin (%)	21.7	23.4	176 bps	22.7	24.7	198 bps	Upgraded margin estimates tracking robust performance in Q4FY22 and operating leverage benefits which are likely to flow going forward as sales volume improve
PAT	2,283	2,395	4.9	2,746	2,932	6.8	
EPS (₹)	84	88	4.9	100	107	6.8	Upgradation of margin estimates leads to upgrade in PAT estimates going forward. We expect earnings at the company to grow at a CAGR of 32.2% over FY22-24E

Source: ICICI Direct Research

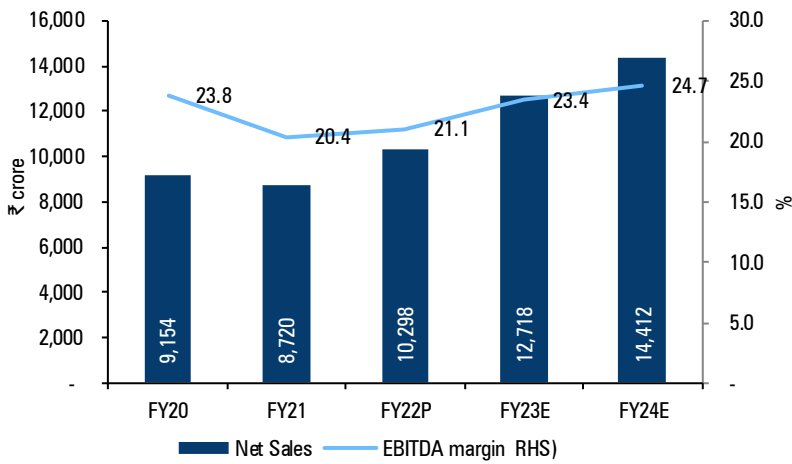
Exhibit 4: Assumptions

	FY19	FY20	FY21	FY22P	Current		Earlier		Comments
					FY23E	FY24	FY23E	FY24E	
Royal Enfield volumes	8,26,098	6,95,839	6,12,060	6,02,268	7,22,563	7,94,819	7,51,092	8,11,179	Taken a conservative stance on volumes at RE. We expect RE volumes to grow 20% in FY23E to 7.2 lakh units and 10% thereafter in FY24E to 7.94 lakh units
Royal Enfield ASP/unit (₹)	1,17,603	1,29,465	1,40,044	1,65,758	1,73,406	1,78,648	1,70,957	1,76,983	Upgraded ASP's estimates tracking beat in Q4FY22 as well as greater focus on exports and interceptor series
VECV volumes	72,860	48,786	41,265	57,077	71,344	82,045	71,679	82,431	Broadly maintained CV volume estimates at VECV (20% CAGR over FY22-24E)

Source: ICICI Direct Research

Financial story in charts

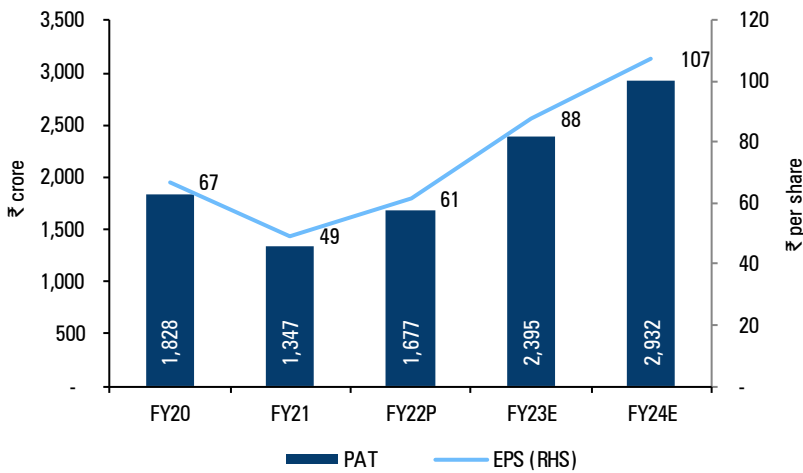
Exhibit 5: Topline and EBITDA margin trend



We expect sales to grow at 18.3% CAGR in FY22-24E amid ~15% RE sales volume CAGR. EBITDA margins are seen at 24.7% in that time frame

Source: Company, ICICI Direct Research

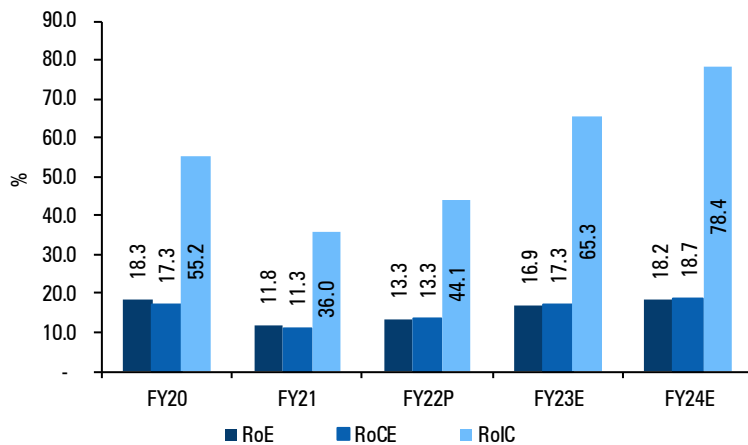
Exhibit 6: PAT and EPS trend



PAT at Eicher Motors is seen growing at 32.2% CAGR over FY22-24E

Source: Company, ICICI Direct Research

Exhibit 7: Return ratios trend



RoCE profile at Eicher Motors is seen improving to ~19% levels gradually by FY24E. RoI at Eicher Motors are seen comfortable placed over 60% for FY23-24E

Source: Company, ICICI Direct Research

Exhibit 8: : Segment-wise, model-wise FY22 volumes at EML

Particulars	Domestic			Exports			Total			% of sales mix		Domestic MS %
	FY21	FY22	YoY %	FY21	FY22	YoY %	FY21	FY22	YoY %	FY21	FY22	
Motorcycles	5,73,438	5,21,243	(9.1)	38,622	81,032	109.8	6,12,060	6,02,275	(1.6)	100.0	100.0	3.9
250-350 cc	5,49,620	4,69,744	(14.5)	8,328	36,549	338.9	5,57,948	5,06,293	(9.3)	91.2	84.1	
<i>Bullet 350</i>	<i>98,008</i>	<i>77,376</i>	<i>(21.1)</i>	<i>-</i>	<i>79</i>	<i>100.0</i>	<i>98,008</i>	<i>77,455</i>	<i>(21.0)</i>	<i>16.0</i>	<i>12.9</i>	
<i>Bullet Electra Twinspark</i>	<i>50,579</i>	<i>36,025</i>	<i>(28.8)</i>	<i>39</i>	<i>30</i>	<i>(23.1)</i>	<i>50,618</i>	<i>36,055</i>	<i>(28.8)</i>	<i>8.3</i>	<i>6.0</i>	
<i>Classic 350</i>	<i>3,61,140</i>	<i>2,67,611</i>	<i>(25.9)</i>	<i>6,190</i>	<i>13,596</i>	<i>119.6</i>	<i>3,67,330</i>	<i>2,81,207</i>	<i>(23.4)</i>	<i>60.0</i>	<i>46.7</i>	
<i>Meteor 350</i>	<i>39,893</i>	<i>88,732</i>	<i>122.4</i>	<i>2,039</i>	<i>22,844</i>	<i>1,020.4</i>	<i>41,932</i>	<i>1,11,576</i>	<i>166.1</i>	<i>6.9</i>	<i>18.5</i>	
<i>Thunderbird 350</i>	<i>-</i>	<i>-</i>	<i>NA</i>	<i>60</i>	<i>-</i>	<i>(100.0)</i>	<i>60</i>	<i>-</i>	<i>(100.0)</i>	<i>0.0</i>	<i>-</i>	
350-500 cc	13,562	36,194	166.9	15,954	21,956	37.6	29,516	58,150	97.0	4.8	9.7	
<i>Bullet 500</i>	<i>-</i>	<i>-</i>	<i>NA</i>	<i>303</i>	<i>51</i>	<i>(83.2)</i>	<i>303</i>	<i>51</i>	<i>(83.2)</i>	<i>0.0</i>	<i>0.0</i>	
<i>Classic 500</i>	<i>-</i>	<i>-</i>	<i>NA</i>	<i>4,113</i>	<i>860</i>	<i>(79.1)</i>	<i>4,113</i>	<i>860</i>	<i>(79.1)</i>	<i>0.7</i>	<i>0.1</i>	
<i>Himalayan</i>	<i>13,562</i>	<i>36,194</i>	<i>166.9</i>	<i>11,538</i>	<i>21,045</i>	<i>82.4</i>	<i>25,100</i>	<i>57,239</i>	<i>128.0</i>	<i>4.1</i>	<i>9.5</i>	
<i>Thunderbird 500</i>	<i>-</i>	<i>-</i>	<i>NA</i>	<i>-</i>	<i>-</i>	<i>NA</i>	<i>-</i>	<i>-</i>	<i>NA</i>	<i>-</i>	<i>-</i>	
500-800 cc	10,256	15,305	49.2	14,340	22,527	57.1	24,596	37,832	53.8	4.0	6.3	
<i>650 Twin</i>	<i>10,256</i>	<i>15,305</i>	<i>49.2</i>	<i>14,340</i>	<i>22,527</i>	<i>57.1</i>	<i>24,596</i>	<i>37,832</i>	<i>53.8</i>	<i>4.0</i>	<i>6.3</i>	
A. Total Royal Enfield	5,73,438	5,21,243	(9.1)	38,622	81,032	109.8	6,12,060	6,02,275	(1.6)	100.0	100.0	3.9
I. M&HCV	25,375	37,990	49.7	3,521	6,508	84.8	28,896	44,498	54.0	71.9	79.7	
<i>Passenger</i>	<i>1,324</i>	<i>2,773</i>	<i>109.4</i>	<i>303</i>	<i>653</i>	<i>115.5</i>	<i>1,627</i>	<i>3,426</i>	<i>110.6</i>	<i>4.0</i>	<i>6.1</i>	23.5
<i>Goods</i>	<i>24,051</i>	<i>35,217</i>	<i>46.4</i>	<i>3,218</i>	<i>5,855</i>	<i>81.9</i>	<i>27,269</i>	<i>41,072</i>	<i>50.6</i>	<i>67.9</i>	<i>73.6</i>	15.4
II. LCV	9,788	9,408	(3.9)	1,504	1,918	27.5	11,292	11,326	0.3	28.1	20.3	
<i>Passenger</i>	<i>1,009</i>	<i>941</i>	<i>(6.7)</i>	<i>236</i>	<i>96</i>	<i>(59.3)</i>	<i>1,245</i>	<i>1,037</i>	<i>(16.7)</i>	<i>3.1</i>	<i>1.9</i>	4.7
<i>Goods</i>	<i>8,779</i>	<i>8,467</i>	<i>(3.6)</i>	<i>1,268</i>	<i>1,822</i>	<i>43.7</i>	<i>10,047</i>	<i>10,289</i>	<i>2.4</i>	<i>25.0</i>	<i>18.4</i>	1.9
B. Total VECV - Eicher (I + II)	35,163	47,398	34.8	5,025	8,426	67.7	40,188	55,824	38.9	100.0	100.0	6.6
C. Total VECV - Volvo	1,062	1,200	13.0	-	-	NA	1,062	1,200	13.0	100.0	100.0	0.2
D. Total sales (A + B + C)	6,09,663	6,70,841	(100.0)	43,647	90,458	(100.0)	6,53,310	6,59,299	0.9	100.0	100.0	

Source: SIAM, ICICI Direct Research

Exhibit 9: Valuation Summary

	Net Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY19	9,797.1	9.28	80.8	12.4	30.1	20.9	24.8	27.8
FY20	9,153.6	(6.6)	67.0	(17.0)	36.2	27.4	18.3	17.3
FY21	8,720.4	(4.7)	49.3	(26.5)	49.3	33.0	11.8	11.3
FY22P	10,297.8	18.1	61.3	24.4	39.6	26.7	13.3	13.3
FY23E	12,717.6	23.5	87.6	42.8	27.7	18.9	16.9	17.3
FY24E	14,412.2	13.3	107.2	22.4	22.7	15.3	18.2	18.7

Source: Company, ICICI Direct Research

Exhibit 10: SOTP valuation

	Amount	Remarks
Two-wheeler business-Royal Enfield		
FY24E EPS (₹)	101	
Target PE multiple(x)	23.0	Valued RE business at 23x P/E
Per share value (₹)	2,333	
Target market cap (₹ crore)	63,607	
CV business-VECV		
FY24E PAT (₹ crore)	366	
Target PE multiple(x)	20.0	Valued VECV business at 20x P/E
Target market cap (₹ crore)	7,317	
Contribution towards EML	0.54	EML has 54.4% stake in VECV
Target market cap towards EML (₹ crore)	3,981	
Per share value-VECV Eicher (₹)	147	
Total target market cap (₹ crore)	67,587	
Per share value (₹)	2,480	

Source: ICICI Direct Research

Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
Total operating Income	8,720.4	10,297.8	12,717.6	14,412.2
Growth (%)	-4.7	18.1	23.5	13.3
Raw Material Expenses	4,846.7	5,616.7	7,039.2	7,908.3
Employee Expenses	843.3	821.0	854.4	892.0
Other Expenses	983.1	1,349.4	1,566.2	1,739.4
Total Operating Expenditure	6,939.1	8,125.6	9,735.5	10,852.0
EBITDA	1781.3	2172.2	2982.2	3560.2
Growth (%)	-18.3	21.9	37.3	19.4
Depreciation	450.7	451.9	476.9	504.4
Interest	16.5	18.8	16.9	15.2
Other Income	453.2	440.8	512.9	612.7
PBT	1,767.3	2,142.3	3,001.3	3,653.3
Others	0.0	0.0	0.0	0.0
Total Tax	451.5	525.9	756.3	920.6
PAT	1346.9	1676.6	2394.8	2931.7
Growth (%)	-26.3	24.5	42.8	22.4
EPS (₹)	49.3	61.3	87.6	107.2

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
Profit after Tax	1,346.9	1,676.6	2,394.8	2,931.7
Add: Depreciation	450.7	451.9	476.9	504.4
(Inc)/dec in Current Assets	-990.5	-570.1	-297.2	-369.0
Inc/(dec) in CL and Provisions	597.2	453.1	496.0	455.8
CF from operating activities	951.1	1570.7	2557.6	2910.2
(Inc)/dec in Investments	1,880.8	-3,786.7	-1,500.0	-1,900.0
(Inc)/dec in Fixed Assets	-508.7	-633.5	-500.0	-500.0
Others	433.2	346.8	455.0	557.1
CF from investing activities	1805.3	-4073.4	-1545.0	-1842.9
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	13.0	-98.6	-10.0	-10.0
Dividend paid & dividend tax	-464.6	-574.1	-820.2	-1,011.6
Others	574.9	67.5	0.0	0.0
CF from financing activities	123.3	-605.2	-830.2	-1021.6
Net Cash flow	2,879.7	-3,108.0	182.4	45.7
Opening Cash	2,950.5	5,830.2	2,722.2	2,904.6
Closing Cash	5830.2	2722.2	2904.6	2950.4

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
Liabilities				
Equity Capital	27.3	27.3	27.3	27.3
Reserve and Surplus	11,410.8	12,580.7	14,155.3	16,075.4
Total Shareholders funds	11438.1	12608.0	14182.6	16102.7
Total Debt	157.4	58.8	48.8	38.8
Deferred Tax Liability	221.5	220.1	220.1	220.1
Others	270.2	389.6	398.8	405.2
Total Liabilities	12087.2	13276.5	14850.3	16766.8
Assets				
Gross Block	4,176.2	4,619.2	5,174.0	5,774.0
Less: Acc Depreciation	1,742.9	2,194.8	2,671.7	3,176.2
Net Block	2433.3	2424.4	2502.3	2597.9
Capital WIP	314.3	504.8	450.0	350.0
Total Fixed Assets	2,747.6	2,929.2	2,952.3	2,947.9
Investments	3,902.2	7,720.6	9,270.6	11,220.6
Inventory	874.6	1,132.4	1,393.7	1,579.4
Debtors	158.2	302.0	348.4	394.9
Others	869.3	1,037.7	1,027.2	1,164.1
Cash	5830.2	2722.2	2904.6	2950.4
Total Current Assets	7,732.2	5,194.4	5,674.0	6,088.8
Creditors	1,535.8	1,788.1	2,090.6	2,369.1
Provisions	90.2	150.7	176.1	199.6
Others	845.4	985.8	1,153.8	1,307.6
Total Current Liabilities	2,471.4	2,924.5	3,420.6	3,876.3
Net Current Assets	5260.8	2269.9	2253.5	2212.4
Other Non current asset	176.5	356.7	373.9	385.9
Application of Funds	12087.2	13276.5	14850.3	16766.8

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY21	FY22P	FY23E	FY24E
Per share data (₹)				
EPS	49.3	61.3	87.6	107.2
Cash EPS	65.8	77.9	105.0	125.7
BV	418.5	461.2	518.8	589.0
DPS	17.0	21.0	30.0	37.0
Cash Per Share	285.6	310.3	371.9	443.1
Operating Ratios (%)				
EBITDA Margin	20.4	21.1	23.4	24.7
PBT / Net sales	15.3	16.7	19.7	21.2
PAT Margin	15.4	16.3	18.8	20.3
Inventory days	36.6	40.1	40.0	40.0
Debtor days	6.6	10.7	10.0	10.0
Creditor days	64.3	63.4	60.0	60.0
Return Ratios (%)				
RoE	11.8	13.3	16.9	18.2
RoCE	11.3	13.3	17.3	18.7
RoIC	36.0	44.1	65.3	78.4
Valuation Ratios (x)				
P/E	49.3	39.6	27.7	22.7
EV / EBITDA	33.0	26.7	18.9	15.3
EV / Net Sales	6.7	5.6	4.4	3.8
Market Cap / Sales	7.6	6.4	5.2	4.6
Price to Book Value	5.8	5.3	4.7	4.1
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	1.0	1.0	1.0
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP		TP	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)				FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Apollo Tyre (APOTYR)	200	250	Buy	12,701	10.1	14.7	20.8	19.9	13.6	9.6	6.7	5.5	4.3	6.3	8.1	10.6	5.5	7.5	9.9	
Ashok Leyland (ASHLEY)	123	140	Buy	35,901	-0.8	1.3	3.7	-148.2	95.6	33.4	63.7	25.7	15.7	-1.1	6.5	14.4	-4.2	5.6	15.2	
Bajaj Auto (BAAUTO)	3,641	3,950	Hold	1,05,357	173.4	183.4	204.1	21.0	19.9	17.8	15.6	13.9	12.3	18.4	19.9	21.6	17.6	19.1	20.5	
Balkrishna Ind. (BALIND)	1,890	2,475	Buy	36,537	73.0	81.4	103.2	25.9	23.2	18.3	19.4	15.7	12.2	15.9	18.0	21.7	20.4	19.4	20.7	
Bharat Forge (BHAFOR)	629	910	Buy	29,291	23.3	24.4	29.3	27.0	25.8	21.5	16.2	13.8	11.6	10.2	11.8	13.5	15.8	15.8	16.6	
Eicher Motors (EICMOT)	2,430	2,480	Hold	66,412	61.3	87.6	107.2	39.6	27.7	22.7	26.7	18.9	15.3	13.3	17.3	18.7	13.3	16.9	18.2	
Escorts (ESCORT)	1,549	2,050	Hold	20,438	53.8	66.1	78.1	28.8	23.4	19.8	16.7	14.7	12.0	10.0	10.0	10.6	9.0	10.1	10.9	
Hero Moto (HERHON)	2,449	2,495	Hold	48,901	123.8	156.1	176.3	19.8	15.7	13.9	12.1	9.5	8.3	16.3	20.7	22.2	15.7	18.7	19.9	
M&M (MAHMAH)	889	1,045	Buy	1,10,514	40.5	46.7	56.5	21.9	19.0	15.7	15.2	12.5	10.4	9.8	11.5	13.1	13.4	13.2	14.3	
Maruti Suzuki (MARUTI)	7,102	8,545	Hold	2,14,531	124.7	206.4	284.8	57.0	34.4	24.9	30.5	19.3	14.1	5.1	9.5	12.8	7.0	10.7	13.5	
Minda Industries (MININD)	833	1,115	Hold	23,788	10.7	17.1	24.2	77.5	48.7	34.4	28.7	21.9	16.7	9.9	13.5	17.8	9.5	13.3	16.0	
Tata Motors (TATMOT)	404	500	Buy	1,54,826	-29.9	1.7	21.1	-13.5	241.6	19.2	6.8	5.5	4.1	4.8	8.1	13.7	-23.4	1.3	14.0	

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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